

**USAID/PricewaterhouseCoopers  
Egypt Privatization Implementation Project**

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**QUARTERLY REPORT TO USAID FOR THE FOURTH QUARTER OF 2000**

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## **I. EXECUTIVE SUMMARY**

*The Fourth Quarter of 2000 and the month of January 2001 represented a period of rapid acceleration of the project with the conclusion of project start-up tasks (staffing, development of counterpart relationships, organizational, and logistical) and the focus of the project team on rapid preparation of Tier 1 Law 203 Public Enterprises for tendering to potential strategic investors and the initiation of privatization preparation tasks for a number of Joint Venture Companies including four Joint Venture Banks.*

*The “good news” is that we expect to be able to prepare 30 Tier 1 and Tier 2 Law 203 Public Enterprises for strategic/anchor investor tenders between now and the end of June 2001 – with tenders for 15 enterprises and assets concluded or initiated during the first half of 2001. There is still a great deal of room for “fine tuning” and improvements in the privatization process and procedures (or lack thereof) being followed by the Holding Companies for the Law 203 Public Enterprises. We have proposed below a number of recommendations in this regard.*

*The “challenging” news is that our Joint Venture privatization technical assistance via the Ministry of Economy and Foreign Trade and the major Public Sector Shareholders is off to a very slow start – with multiple obstacles slowing the process - and the need for major new strategic initiatives to be undertaken quickly by the MOEFT and the GOE – with the encouragement and support of USAID and the Privatization Implementation Project.*

*The current JV privatization process will not achieve the GOE's objectives to substantially privatize its JV shareholdings over the next three years. Radical new strategic initiatives are required if the program is to succeed and if USAID technical assistance is to be effectively utilized to support this component of Egypt's privatization program.*

*Rather than begin with the “good news” – which is described in detail below – we have elected to begin with a description of the “challenges” facing the JV privatization program and our proposed tactical and strategic solutions.*

### **PROJECT CHALLENGES AND STRATEGIC RECOMMENDATIONS**

Implementation of these recommendations will require high-level, joint initiatives by the Privatization Implementation Project (“PIP”) Team, USAID, the Ministry of Economy and Foreign Trade (MOEFT) and the Ministry of Public Enterprise/Public Enterprise Office (MPE/PEO).

#### **JOINT VENTURE COMPANIES**

##### **JV Universe:**

- Includes 500+/- companies.
- Of which 150+/- are majority (50%+) publicly owned.
- There are an estimated 200 to 300 different public sector shareholders in the JVs with heavy shareholder concentrations amongst the four public sector banks (National Bank of Egypt, Banque du Caire, Bank of Alexandria, and Banque Misr) and the three public sector insurance companies.
- About 50% of the JVs are profitable (EBIT basis).
- The overall universe of JVs are providing the GOE through the public sector shareholders with an unsatisfactory Return on Investment.
- Our analysis indicates that for the year 1997, the 313 JVs for which audited financial statements are available (these are the largest of the JVs) generated an overall ROI of only 5.8% per annum on invested capital of LE 171 billion *versus* the 10% per annum return provided by GOE Treasury bills during the same period.
- For the year 1998, our analysis indicates that these 313 JVs generated an overall ROI of 6.7% p.a. on invested capital of LE 200 billion *versus* the 8.8% p.a. return provided by GOE Treasury bills during the same period.
- *In other words, the GOE and its public sector companies would have generated a better return on their capital by investing public resources in government securities. We estimate that the returns for the years 1999 – 2000 provided a similar, if not more significant, dynamic.*

- *Despite such a track record, public sector companies – as of the end of 1998 – were investing in 166 newly established JVs.*

First tranche of JVs assigned to the PIP Team:

- 32 companies including 4 JV banks have been assigned to the PIP Team to date by the MOEFT – the 4 banks in November and 28 companies in December.
- For the 32 companies, the PIP Team must work with *17 different public sector shareholder appointed representatives* including the four public sector banks and three insurance companies, several other ministries and public enterprises, and the governorate of Al Sharkeya.

JV tasks completed to date:

- We have been able to arrange and have held meetings with 10 of the 17 shareholder representatives.
- We have been able to obtain financial data for 12 of the JVs for which diagnostic reviews have been completed.
- A valuation review was completed for Misr America International Bank (MAIB) and submitted to the public sector shareholder representative, Banque du Caire. The Ministerial Privatization Committee then turned down the bids submitted in the tender for MAIB. Banque du Caire has now requested that we conduct a second valuation review based upon the latest audited financials. We are developing a bank valuation model which will be used for the limited SOW MAIB valuation.
- Of the 12, four JVs are “Tier 3” – including at least two of the four banks, i.e., they are unprofitable and facing serious financial difficulties and thus very unlikely to attract any investor interest. These JVs will thus be excluded from our SOW.
- Of the 32 JVs, the only tender which has been planned by the representative shareholder is that of MAIB by Banque du Caire sometime during the first quarter of 2001. [This would be a second tender following the first failed tender in 2000. At that time the Ministerial Privatization Committee rejected the two finalist bids by National Bank of Kuwait and Credit Agricole of France. *It is worth noting – as a future potential obstacle* – that the Committee and Banque du Caire apparently wish to sell MAIB with no “strings” or conditions attached. At the same time, the bidders apparently requested warranties from the seller as to the condition of the loan portfolio and the adequacy of the loan loss provisions. Because of bank secrecy laws, potential investors are unable to adequately assess the quality of the loan portfolio. And therefore submit conditional bids.]

Recommended Tactical and Strategic Initiatives for the Joint Venture Portfolio:

Overview:

The current process of “case-by-case” privatization, the necessity for the PIP Team to deal with an average of one different public sector shareholder representative for every two JVs, the lack of standardized privatization procedures, and the assignment of nonviable companies to the PIP will not accomplish the GOE/MOEFT objectives of privatizing the majority of Joint Venture shareholdings over the next three years. *The objectives are not unfeasible versus the current process.*

Challenges:

- The first tranche of JV companies were only assigned to the PIP in mid-December.
- Financial data on the individual companies was not available for the first company until late January with the assistance of USAID.
- As mentioned above, too many shareholder representatives have been assigned – the focus should be on a handful of shareholders. Several weeks of time have been required to meet with roughly half of the 17 shareholder representatives for the first 32 companies. And the shareholder representatives have yet to introduce the PIP to the managements of the individual companies. (We also need to address the issue as to whether one public sector shareholder can legally

represent the voting rights and sell the shares of other public sector shareholders. The first tranche of 32 companies have several dozen public sector shareholders.)

- We have had difficulty – and a great deal of time has been spent – in trying to obtain financial statements and information on the operations of the individual JVs via the representative shareholders.
- Most of the shareholder representatives have few if any instructions as to what procedures they must follow to conduct the privatization of their affiliated Joint Venture companies.
- Finally, there are few if any “incentives” built into the JV privatization program which might encourage the public shareholders to initiate and complete the privatization of their attractive JVs. While willing to part company with unprofitable JVs, what are the incentives to forsake the dividends and capital gains which accrue from investments in profitable JVs?

*Tactical (near term/January – June 2001) Recommendations to the MOEFT for the PIP Team's Technical Assistance to the Joint Venture Companies:*

- Assist only JVs in which the public sector shareholders own 50%+ of the shares and/or for which the shares are listed on the Stock Exchange.
- Assist only JVs which are profitable based upon IAS accounting standards and with positive ROEs (according to PIP Team prioritization).
- Assist only JVs with LE 25 million+ in total assets.
- Focus TA on the JV shareholdings managed by the four public sector banks and the three public sector insurance companies. And further focus on those JVs which have a single public sector shareholder.
- And assist only those JVs which the MOEFT agrees/plans to offer for sale in 2001.
- Identify how many JVs are managed/primarily owned by Law 203 Public Enterprises.

*Strategic (longer-term/July – December 2001) Recommendations:*

- Focus PIP Team resources on the privatization of one major Public Sector Insurance Company – each of which own an average of 50+ JVs? [Note: The valuations of the three Public Sector Insurance Companies conducted by the three investment banks hired by the MOEFT – Flemings CIIC, Merrill Lynch, and Morgan Stanley – have been completed and will shortly be presented to the MOEFT.]
- Continue the PIP Team's development of an Investment Fund Model for *wholesale privatization* of the GOE's JV portfolio. [We have to date completed an extensive review of the legal issues involved in the establishment of such funds and have determined that a Decree could be issued by the Minister of Economy to permit the formation of private sector asset management firm-managed closed end investment funds for the GOE's indirectly held stakes in minority and majority owned JVs. Our legal counsel has drafted a Decree. We have reviewed options with the USAID capital markets regulatory reform consulting lawyers. We have discussed the model with investment bank market participants. And we are now devising alternative mechanisms and models for the design of such funds. All of which we hope – with USAID assistance – to present to the Minister of Economy and Foreign Trade in late February or March.]
- A third option – which can be an interim measure and can be combined with the above two strategies – is to offer “clusters” of JV shareholdings at the same time – with the clusters containing stakes in JVs in the same or complementary industries and/or with the stakes representing the shareholdings of one large public sector shareholder (e.g. one of the public sector banks or insurance companies).

**LAW 203/PUBLIC ENTERPRISES:**

- It is too late in the program to introduce radically new privatization methods for the universe of enterprises remaining to be sold. Strategic sales (or “anchor” sales) will be the primary privatization mechanism.
- The portfolio of enterprises assigned to the PIP are primarily attractive to investor “Tier 1” enterprises or marginally attractive “Tier 2” enterprises which might attract one or more local or regional investors – along with several “Tier 3” enterprises which should be liquidated or, if the

GOE has the resources, be restructured under perhaps management contracts with turnaround specialist firms which are offered attractive profit-sharing incentives and share purchase options.

- The “tiers” of enterprises assigned to the PIP require varying levels of effort of technical assistance.
- Tier 1 enterprises are “crown jewels” or potentially highly attractive to international and regional investors such as the five-star hotels, the Omar Effendi and Sednawi national retail chains, the fertilizer manufacturers, and the three maritime container handling companies. For these enterprises, the full panoply of assistance including diagnostics and valuation reviews, company profiles, information memoranda, the pre-qualification and hiring of investment banking advisors, advertising and road shows, and assistance in negotiations with short-listed bidders and the final sales contract will be offered to the Holding Companies.
- Tier 2 enterprises are marginally attractive to a limited universe of regional and local investors. These include, for example, the three star and floating hotels, the construction companies, Al Nasr Glass, and the food production and distribution companies. For these enterprises, the PIP Team will provide more limited technical assistance. We will conduct very limited scope of work, “quick and dirty” diagnostics and valuation reviews and prepare company profiles. However, information memoranda will generally not be prepared, leaving potential investors to conduct due diligence while ensuring that the relevant Holding Companies provide full disclosure and access to all financial and operational information. Promotional activities will be limited. The hiring of investment bank advisors to conduct investor searches and to assist in negotiations and sales closings will be encouraged through the offering of higher retainer and success fees by the Holding Companies.
- For the loss-generating Tier 3 enterprises, the PIP Team’s focus will be on diagnostic reviews and proposals for turnaround through the hiring by the Holding Companies of turnaround specialist firms/investors under management contracts with options to buy shares, financial leases, concession agreements and other interim management/turnaround mechanisms.
- While too late for radical changes, the portfolio of Law 203 enterprises could, however, greatly benefit from some “fine tuning” of the current privatization procedures. On the one hand, flexibility and the lack of procedures and constraints provide the consultants with greater opportunities to propose new privatization initiatives to the Holding Companies and their affiliated enterprises. On the other hand, this lack of standard procedures and guidelines from the central authority – the MPE/PEO – means that each Holding Company has significant leeway to follow its own privatization timetable and is permitted to use its own (often inadequate) tender for investment bank and tender for anchor investor procedures, can elect to not utilize PIP and investment bank advisory assistance and to “go it alone” in conducting tenders, and can – in sum – further extend the privatization process.
- Thus, “fine tuning” must include greater control and regulation of and standards for the privatization – and turnaround – process from the center.
- We have therefore recommended that the MPE/PEO propose the establishment of Privatization Task Forces for each Law 203 privatization transaction to include representatives of the relevant Holding Company, the MPE/PEO, and their outside advisors who would be responsible for ensuring that each Holding Company for each affiliated enterprise privatization adopt and adhere to standard company profile, financial disclosure, information memoranda, data room and investor promotion and marketing preparatory procedures, standard procedures and retainer and success fee schedules for the use of outside investment bank advisory firms, and standard procedures for the conducting of tenders for anchor investors.
- In line with our recommendations regarding greater standardization of privatization procedures, we have drafted standardized Strategic Sale, Liquidation, and Tender for Investment Bank Advisor

“step-by-step” procedures which could be adopted by the MPE/PEO as the models to be utilized by the Holding Companies.

- In addition, we are working with the investment banking/financial intermediary industry to develop and promote to the Holding Companies and the MPE/PEO (and to the MOEFT and the public sector shareholders in the Joint Ventures) the utilization of investment bank advisors for investor identification and promotion for each tender and for the hiring of advisors on a competitive basis with the payment of market-based retainer and success fees based upon the “salability” of the enterprise or asset. While some Holding Companies are willing and able to hire professional investment banking advisors, others prefer to work without such assistance. Some Holding Companies hire the least expensive advisors – who often are also the least qualified advisors – with thus less than satisfactory results. Our initiatives with the investment banks are driven by the impossibility of the PIP Team to provide “free” advice – from the preparatory through the sales stages – to the several hundred Law 203 Enterprises and Joint Venture Companies.
- Finally, the issue which has challenged Egypt’s privatization program from the outset (and which is a common issue for privatization programs around the world) is that of valuations. The challenge is the Central Audit Agency’s continued role in “recommending” minimum or floor prices to the GOE’s privatization bodies – including the Joint Valuation Committee and the Ministerial Privatization Committee which has the final say on all proposed privatization transactions. The CAA’s valuation recommendations have generally been skewed toward unrealistic per share prices based upon asset valuations which do not reflect market conditions and utilizing, for example, a discount rate of 15% on average versus a 25% to 30% discount commonly and currently applied by international investment banks to the Egyptian market.
- On the positive side, the CAA now only makes recommendations on valuations. The Valuation Committee and the Ministerial Committee – with the concurrence of the shareholders – can accept an investor’s bid which is less than the valuation recommended by the CAA. The issue is thus the willingness of the authorities to override the CAA’s recommendations – with the political implications involved in such decisions.
- And the proposed solution – to be utilized by the PIP Team for the valuation reviews for both the Law 203 and Joint Venture enterprises – is to recommend a range of values based upon assessments of market conditions and incorporating multiple techniques with the focus on DCF valuation. In other words, to promote the concept that a valuation can be no more than an estimate of value subject to changes in market conditions including the level of investor interest in the enterprise, the potential for value added output of the enterprise, existing regulations to protect investors including enforcement of such regulations and the absence of arbitrary changes, and Egypt’s macro economic-political environment.

#### **ACCELERATED PROJECT IMPLEMENTATION INITIATIVES**

The USAID Privatization Implementation Project was formally launched on August 16, 2000 when the PricewaterhouseCoopers’ team and its partner firms joined USAID officials in presenting the project’s goals and strategy to senior officials of the Ministry of Public Enterprise, the Ministry of Economy and Foreign Trade, the Ministry of International Cooperation, and the Public Sector Holding Companies.

The Fourth Quarter of 2000 represented a transition period from the start-up phase to the implementation phase of the project. The start-up phase was completed following a more than one year hiatus in USAID technical assistance for Egypt’s privatization program.

Start-up tasks which continued through the Fourth Quarter included mobilization of earlier recruited staff, recruiting of additional project consultants and staff, deployment of the PIP Team including organization and definition of roles and job descriptions and assignment of tasks, and the development of working relationships with the project’s counterparts including officials of the two ministries (Ministry

of Public Enterprise/the Public Enterprise Office and the Ministry of Economy and Foreign Trade), the Chairmen and staff of the Holding Companies and their Affiliated Companies, and senior officials of the GOE Representative Public Sector Shareholders in the Joint Venture Companies.

While the PIP Team continued to implement start-up tasks – including interviewing and recruiting of Egyptian and expatriate consultants - during the Fourth Quarter, the project team began to actively implement longer-term, strategic initiatives to accelerate privatization preparation and sales tasks for the Law 203 Public Enterprise privatization program and the strategy for privatization of the 150 public sector majority-owned Joint Venture Companies and the 350 public sector minority-owned Joint Venture Companies.

These strategic initiatives undertaken during the Fourth Quarter included the following:

- Recruiting of Fouad Abdel Wahab, former Director of the PEO and the former Deputy Chairman of the Central Audit Agency, as the Senior Advisor to the PIP.
- Recruiting of several highly experienced and technically qualified senior and mid-level Egyptian investment banking industry professionals to the PIP Team.
- The approximately 25 Egyptian consultants recruited to date have established the PIP Team as one of Egypt's leading "boutique" investment banking firms involved in privatization with an outstanding team of professionals recruited from nearly 250 candidates interviewed since July 2000.
- The PIP Team's part-time partner firms and individual consultants – including Taher Helmy of Helmy and Hamza/Baker & McKenzie, Ahmed Hassan, Esq., who led the drafting of Egypt's Law 203 and the current and new draft Capital Markets Laws, Hamza Associates, Egypt's leading engineering and asset appraisal firm, and the active involvement of CID – one of Egypt's leading public relations firms – were assigned specific areas of responsibility and tasks related to individual enterprise transactions, longer-term new privatization vehicles, and local and regional marketing and promotion campaigns.
- Organization of the PIP Team into two primary functional components: A "Pipeline Management" team responsible for preparing and moving enterprises through the pre-sale privatization preparatory stages – including diagnostics (in order to classify enterprises into three categories – "highly marketable to international, regional, and local investors", "marginally of interest of local and regional investors", and "candidates for restructuring or liquidation"), enterprise valuation reviews, Company Profiles, Information Memoranda, Tender for Investment Bank Advisor Terms of Reference, Tender for Anchor (Strategic) Investor Terms of Reference, and other pre-sale preparatory tasks.
- The PIP "Turnaround Management" team – a component of Pipeline Management - is tasked with developing and implementing procedures for interim management and turnaround/restructuring through the recruiting of specialist firms to manage and reform problematic public enterprises under management contracts, financial leases, and concession agreements.
- The Pipeline Management team is also responsible for coordinating – with the input of other components of the project team, GOE counterparts, investment banking industry representatives, legal counsel, and third party specialists within PwC and international investment banks – the development of new privatization methods and the refinement of existing practices and procedures, focusing on mechanisms to accelerate the offering of joint venture companies and the streamlining of Law 203 company privatization procedures through the MPE/PEO and the management of the Holding Companies.
- The second, primary team is the "Investment Banking" (or sales/transaction) unit which is responsible for managing relationships with the MPE/PEO, the Law 203 Holding Companies and their affiliates, the MOEFT, the appointed public sector shareholder representatives of the Joint Venture companies, and the Joint Venture companies, for progressing companies through the

privatization preparatory phases (diagnostics, company profile, information memorandum for Tier 1 companies, sales strategy, investment bank advisor terms of reference and recruiting for investor search, investor search, and negotiation and conclusion of sale) – with the focus on concluding the final phase of reaching an agreement between the seller and prospective investor. In addition to recruiting an outstanding team of Egyptian professionals, the project management team in Cairo and Washington began interviewing expatriate investment banking professionals for possible recruitment and deployment to the PIP during the first quarter of 2001.

- These two components of the PIP Team are supported by the project's Marketing/Investor Promotion team organized during the Fourth Quarter and responsible for organizing and implementing – in coordination with the Investment Banking team – program and enterprise-specific marketing and investor promotion campaigns including advertising design, local/regional/international road shows, printing and distribution of Company Profiles and other marketing materials, investor outreach through the PwC global network of offices, local/regional/international investment banks and financial intermediaries, local and international Chambers of Commerce including AmCham Egypt, foreign embassies in Egypt, the Egyptian diplomatic missions abroad, local and international news media for tender announcements and information on the privatization program, and other investor outreach and identification channels.
- In addition, the Market Research team is responsible for drafting and updating macro-reports on the Egyptian economy and investment climate including the legal/regulatory framework and the privatization program for distribution with program promotional materials, company profiles and information memoranda and for the research and drafting of sectoral studies for priority sectors including tourism and chemicals/fertilizers.
- A project support team was organized and deployed to manage the finance and financial reporting, contracting, invoicing, and project administration and logistics tasks and the training components of the PIP project.
- Within the Investment Banking unit, a Financial Intermediaries Relationship Management team was established to develop and maintain working relationships with all pre-qualified investment banks and advisory firms in support of the privatization and sales initiatives and to develop and promote to the ministries, the holding companies and the representative joint venture shareholders standard, transparent investment bank advisory tender procedures, scopes of work, and retainer and success fees.
- In terms of working relationships with our GOE clients, the PIP Team has maintained daily contact with the Public Enterprise Office of the MPE through the PEO coordinator for the USAID-funded project, Mr. M. Hassouna, who is provided with updates and with whom the team coordinates on addressing and resolving issues related to tactical and strategic issues which must be addressed by the team in its work with the assigned Holding Companies and their affiliated enterprises. Regular meetings have been held with the Director of the PEO and the head of privatization of the PEO to provide updates and to solicit their input on resolving obstacles, promoting new initiatives, and addressing longer-term strategic planning matters. One update and strategy meeting has been held to date by the PIP Team management with the Minister of Public Enterprise.
- With regard to the Joint Venture universe of companies, regular meetings and telephone conversations have been held with the manager of the Ministry of Economy and Foreign Trade's Privatization Unit, Ms. M. El Hinnawy regarding the assignment of JV companies to the PIP and issues related to meetings with the representative shareholders and the JVs and the preparation of these companies for sale. Meetings have been held to date with several of the senior managements of the representative shareholders for the assigned JVs to initiate privatization diagnostic and planning tasks. Project "kick-off" meetings were held with the deputy/senior advisor to the Minister of Economy on two occasions during the start-up phase of the project.



- However, with respect to strategic planning for the universe of JV enterprises and to discussing new methodologies to be applied to the entire universe, the PIP Team management has been unable to arrange follow-up meetings with the deputy/senior advisor and with the Minister.
- Regular project planning and updating meetings have been held with the responsible USAID officials on a regular basis.

## **II. RESULTS TO DATE**

- PIP is currently preparing for privatization nearly 30% of the Ministry of Public Enterprise's Law 203 Public Enterprise portfolio (51 of 190 enterprises and assets). During this quarter, PIP provided valuation support, helped to identify and select appropriate sales methods, delivered strategic advice on packaging and structuring the transaction, and promoted the enterprises to anchor investors.
- PIP is currently preparing for privatization nearly 25% of the Ministry of Economy's portfolio of majority publicly owned Joint Ventures (32 of 143 JVs in which the state owns 50%+ of shares).
- Serious investors – likely to participate in the anchor/strategic investor tenders to be conducted for public enterprises and JVs – have been identified for 20 such enterprises.
- The PEO/MPE announced in early January – through domestic press advertisements – the tendering of 67 enterprises and assets. Subsequently, PIP's marketing team developed -- together with the PEO -- a marketing/investor outreach strategy and began implementation immediately. The strategy targets foreign and local anchor investors and includes high-profile advertisements in international journals, investor conferences, joint events with the American Chamber of Commerce, and distribution of promotional materials through all Egyptian diplomatic missions worldwide.
- 15 Company Profiles for distribution to potential investors have been completed. These are marketing and promotional materials and will serve as the basis for Information Memoranda to be sold to tender participants by the Holding Companies. Two Information Memoranda (Misr Hotels and the Red Sea Construction Company) were completed, approved by the Holding Companies, and printed.

### **For MPE Law 203 enterprises:**

- The PIP Team completed the Diagnostic Review, Company Profile and Information Memorandum for Egypt's largest retail chain (with 78 department stores), **Omar Effendi**. PIP is working very closely with the Chairman and senior managers of the Trade Holding Company to conduct a tender for the selection of the investment banking advisor – among pre-qualified investment banking firms from the PEO's short list – and to structure and conduct the tender for a strategic/anchor investor by the end of February.
- We completed Diagnostic Reviews and Company Profiles for six hotel assets owned by the Egyptian General Company for Tourism and Hotels (EGOTH), including the **Shepherd Hotel** in Cairo. PIP designed a separate website to promote these assets ([www.egoth.org](http://www.egoth.org)). In addition, we published a Company Profile and Information Memorandum for **Misr Hotels**, which owns the Nile Hilton and the Hilton Dahab. PIP promoted these hotel and tourism assets at an international investor conference on Egypt held in Barcelona, Spain on November 22, 2000.
- PIP has been active this Quarter in promoting Egypt's three **container handling** companies at Damietta, Port Said, and Alexandria, which are among the Government of Egypt's (GOE) most

attractive enterprises. We held several meetings with three European strategic investors and have completed Diagnostic Reviews and Company Profiles for two of the container companies. In addition, we have advised the Ministry of Public Enterprise (MPE) on how to privatize the industry in general and structure these deals in particular. We outlined three privatization options, discussed the implications of each, summarized the terms and conditions of international "best practices" container handling concession agreements and presented our findings and recommendations to the GOE in January.

- The Company Profile has been printed and the Information Memorandum finalized for the **Red Sea Construction Company**. The Holding Company for Construction plans to announce the tender for an anchor investor by February 1, 2001 and has asked PIP to assist in preparing and evaluating bid documents. The Holding Company was pleased with our work and requested further assistance preparing and marketing Misr Gedida Housing and Mokhtar Ibrahim.
- For the Metallurgy Holding Company, PIP completed a detailed Valuation Report on **Al Nasr Glass and Crystal** that reviewed previous valuations of the company and suggested a new range of values using the adjusted balance sheet and discounted cash flow methodologies. PIP also completed a Company Profile and is finalizing an Information Memorandum for Al Nasr Glass, which has received an unsolicited offer from a local investor and will be offered for sale in February.
- At the request of the PEO, PIP conducted a market study on the fertilizer sector and completed Company Profiles for **Delta Fertilizers, Abu Zabaal Fertilizers, and Al Nasr Fertilizers**. PIP made initial contact with investors interested in Abu Zabaal and Delta Fertilizers and has advised the Chemicals Holding Company on the timing and structure of a transaction. Tenders are expected to be announced in March 2001.
- Diagnostic Reviews, recommendations to Holding Company Chairmen, and procedures for the selection of turnaround firms under management contract or leasing are being developed for implementation for three Law 203 enterprises: **Alexandria Shipyards, El-Nasr Forging, and Hassan Allam Contracting Company**.

#### **For MOEFT JVs:**

- Meetings have been held with the Chairmen or Senior Directors of ten of the 17 public sector shareholders assigned by the Ministry of Economy and Foreign Trade (MOEFT) to represent the multiple public sector shareholders in the 32 Joint Ventures (JVs) assigned to PIP this Quarter. PIP has met with representatives from Banque Misr, Banque du Caire, National Investment Bank, Misr Insurance, Egypt Air, and EGOH.
- PIP completed Diagnostic Reviews – to serve as the basis for classifying by tier the JVs and prioritizing the assistance of the PIP – for 12 JVs.
- A second valuation review – based upon the preliminary financial statements for the year ending December 31, 2000 – is being conducted for Misr America International Bank in preparation for a second round tender to be conducted by Banque du Caire in February 2001. One or more of the first round international bank bidders are expected to participate in the tender.
- Valuation reviews are also being conducted for Cairo Far East Bank, Islamic Bank for Investment and Development, and El Touragiu Bank.
- Banque du Caire has requested assistance for the development and implementation of a marketing and investor outreach/identification program for its three JV banks. The PIP will also propose that investment bank advisors be recruited to assist in the sale of the banks.

### **III. ASSESSMENTS AND DIAGNOSTICS**

Although not officially assigned all Law 203 companies and assets, PIP has conducted a "quick diagnostic" of the 193 Law 203 companies remaining to be privatized. According to our analysis, there are 40 Tier I companies, 92 Tier II companies and 61 Tier III companies in the MPE portfolio.

Tier I companies are viable, profitable, and attractive to strategic investors; Tier II companies may require some financial if not operational restructuring to be attractive to strategic or portfolio investors; and Tier III companies require large-scale financial and operational restructuring prior to privatization. In fact, in our opinion, the majority of the Tier III enterprises are candidates for liquidation. There are, however, some Tier III enterprises that can be restructured and marketed to interim management/turnaround specialists, including Alexandria Shipyards and Al Nasr Forging. An updated complete diagnostic list, showing the Tiers and classification criteria, is appended to this report.

During this Quarter, PIP designed and updated a database of all Law 203 public enterprises based on information and discussions with USAID, the PEO and Carana. The database allows the user to search and classify companies according to a number of key indicators, such as net profit, total sales, long-term debt, and number of employees. It also allows for easy calculation of performance ratios, such as return on sales and debt-to-equity. In addition, PIP has established a financial database that contains three years of audited financial statements for each company we are assisting.

PIP also completed detailed Diagnostic Reviews for 15 Law 203 companies and eight JV companies. The diagnostics include a summary of share ownership, valuation methods, sales history, and strengths and weaknesses of the enterprise. These will be used to assist PIP recommend a sales and marketing strategy to the relevant Holding Company (for Law 203 companies) or GOE representative (for JV companies).

### **IV. POLICY ISSUES AND PROPOSALS**

PIP has been very active in promoting new, streamlined privatization procedures and new privatization methods to the GOE. We recognize that our mandate from USAID is to accelerate the pace and volume of privatization in Egypt in general and that case-by-case privatization alone will be insufficient to achieve this goal. PIP therefore has devoted considerable resources to delivering high-level, strategic privatization policy advice and assistance to both the MPE and MOEFT.

Since the beginning of the project, PIP has maintained an on-going dialogue with USAID and the GOE on major privatization policy issues such as pricing, pacing, packaging, early retirement of excess labor, restructuring enterprise debt, and implementing step-by-step sales procedures. Among the more notable strategy sessions with USAID and GOE counterparts was a roundtable held on November 7 during which all PIP partners and USAID agreed upon a vision statement, discussed obstacles and opportunities in privatization and defined a role for the project that combines investment banking services (valuations, bid documents, structuring the transaction) with policy advisory services (streamlined procedures, new sales methods).

PIP has done more than simply discuss important policy issues, however. We have established an informal advisory committee of the leading investment banks, brokerage houses and law firms in Egypt to assist in developing and delivering policy advice to high-level GOE officials. The inaugural meeting of this committee -- attended by representatives from USAID and the principals from EFG Hermes, Helmy & Hamza, ABN Amro, CIB, Global Capital Group, and Farid Mansour & Co. -- was held on November 22 at the Meridien Hotel. The first roundtable identified key obstacles to the acceleration of the privatization program and options for overcoming them. The committee agreed upon five action items which PIP will propose to the GOE with the support and collaboration of the investment community. Specifically, PIP will assist the GOE implement:

1. ***Policies and procedures for responding to unsolicited bids.*** The goal is to avoid losing opportunities for a transaction when an investor expresses interest in an asset before the GOE is prepared to divest itself of the asset. The GOE is not always prepared to sell what a buyer is prepared to buy (and more importantly, when) a buyer is prepared to make an acquisition. The proposed solution is to create a system to channel unsolicited bids or unilateral expressions of interest to the parties empowered to take decisive action.
2. ***Policies and procedures for leveraging market-based valuation analyses.*** The goal is to avoid losing transaction opportunities due to floor prices established by the CAA/GOE which are in excess of the market's perceived value of the asset. The proposed solution is to replace the practice of setting a floor price with the establishment of a *range* of values for each asset which includes its estimated *fair value*, that is, what well-informed buyers would be expected to offer for the asset in a transparent and competitive tendering process.
3. ***Policies and procedures for activating investment banks and promoters.*** The goal is to leverage the resources, contacts and marketing networks of the established Egyptian financial intermediaries to maximize investor interest in GOE assets. To do this effectively, the GOE must define standard fee structures for engaging intermediaries which reflect their value to the transaction. For example, there are approximately 40 companies in the MPE portfolio which are considered to be "Tier I", i.e., where anticipated transaction revenues would be sufficient to pay out success fees to financial intermediaries in compensation for their transaction support. But PIP does not have the resources to act as the intermediary/promoter for every company currently in its privatization portfolio. Therefore, PIP's role in acting as an intermediary/promoter on behalf of the GOE is intended to be limited to "Tier II" companies, i.e., those which are considered unattractive by Egyptian investment banks/promoters.
4. ***New methods for the accelerated privatization of the MOEFT joint venture portfolio.*** The goal is to accelerate the privatization of the more than 500 joint venture holdings of the MOEFT, by exploring the possibility of group offerings of holdings according to a prescribed criteria (e.g. industry, private sector partner, size), and/or the use of investment funds to pool various JV holdings with a view to eventual public listing. While a case by case approach to the privatization of this portfolio may be appropriate in those cases where the MOEFT has a majority stake, approximately 50% of the MOEFT's portfolio is said to be composed of minority holdings. Our idea - for discussion with the MOEFT after it is further developed - is to transfer certain JV share packages to professionally managed Investment Funds which would manage the JV shares on behalf of the public sector shareholders. Capital gains and the sales proceeds would accrue to the shareholders with the fund managers receiving management fees and a portion of any capital gains. This concept would allow for accelerated and market-based privatization of the JVs. Obviously, we are still in the idea development stage and have much work to do before we present any proposals to the MOEFT. But it appears at this stage that there are viable legal alternatives which might allow for the establishment of private sector fund management of JV shares on behalf of the GOE (something which could serve to bolster the stock market).
5. ***Privatization Task Forces for each asset.*** The goal is to create a 'pace-setting' mechanism for the privatization of public enterprises by rationalizing the GOE decision-making process and players in any one transaction. By empowering working Task Forces with representatives from the MPE, HC, affiliate company and MOEFT (with the support of PIP), to carry each transaction to its closure, decisions on privatization strategy, valuation ranges and promotion can be made jointly so that consensus is built into the process and the risks of late-stage objections/cancellations are minimized.

## V. DELIVERABLES TO DATE

No.	Type of Document	Name of Document	Date Completed
1.	Information Memorandum (IM)	Misr Hotels IM	January 15, 2001
2.		Red Sea Contracting IM	January 15, 2001
3.	Company Profile (CP)	Port Said Container Handling Company CP	January 15, 2001
4.		Misr Hotels CP	December 15, 2000
5.		Shepherd Hotel CP	December 15, 2000
6.		Amoun Luxor CP	December 15, 2000
7.		Amoun Aswan CP	December 15, 2000
8.		Aswan Oberoi CP	December 15, 2000
9.		Mercure Etab CP	December 15, 2000
10.		Mercure Inn Coralina CP	December 15, 2000
		EGOTH Land CP	December 15, 2000
11.		Delta Fertilizers CP	December 15, 2000
12.		Abu Zabaal Fertilizers CP	December 15, 2000
13.		Al Nasr Fertilizers CP	December 15, 2000
14.		Red Sea Contracting CP	December 15, 2000
15.		Al Nasr Glass & Crystal CP	December 15, 2000
16.		Omar Effendi CP	December 15, 2000
17.		Hannaux CP	December 15, 2000
18.	Diagnostic Review (DR)	Port Said Container Handling Company DR	December 15, 2000
19.		Misr Hotels DR	December 1, 2000
20.		Shepherd Hotel DR	December 1, 2000
21.		Amoun Luxor DR	December 1, 2000
22.		Amoun Aswan DR	December 1, 2000
23.	Diagnostic Review (DR)	Aswan Oberoi DR	December 1, 2000
24.		Mercure Etab DR	December 1, 2000
25.		Mercure Inn Coralina DR	December 1, 2000
26.		EGOTH Land DR	December 1, 2000
27.		Red Sea Contracting DR	December 1, 2000
28.		Omar Effendi DR	December 1, 2000
29.		Hannaux DR	December 1, 2000
30.		Al Nasr Forging DR	November 2, 2000
31.		Naroubin DR	October 30, 2000
32.		NEEASAE DR	October 23, 2000
33.		Alexandria Shipyards DR	September 22, 2000
34.	(JVs)	El Togarioun Bank DR	January 10, 2001
35.		Ismailia Misr Cooling Company DR	January 10, 2001
36.		Meridien Heliopolis DR	January 10, 2001
37.		Misr Cooling and Storage Company DR	January 10, 2001
38.		Misr Sinai Travel DR	January 10, 2001
39.		Misr Aswan for Fishing and Processing Fish DR	January 10, 2001
40.		National Company for Corn Production DR	December 27, 2000
41.		Misr America International Bank DR	December 1, 2000
42.		Law 203 Portfolio Review by Tier	November 19, 2000
43.	Valuation Report (VR)	Al Nasr Glass & Crystal VR	January 10, 2001
44.		Misr America International Bank VR	December 20, 2000

No.	Type of Document	Name of Document	Date Completed
45.	Step-by-Step Procedures	Due Diligence Questions for Banks	January 17, 2001
46.		Selection of a Financial Advisor/Investment Promoter	January 11, 2001
47.		Valuation Model (DCF, Economic Profit, P/E, Sales/EBIT)	December 1, 2000
48.		Valuation Procedures	November 28, 2000
49.		Strategic Sale to Anchor Investors	October 1, 2000
50.		Initial Public Offering	October 1, 2000
51.		Employee Buyout	October 1, 2000
52.		Liquidation	October 1, 2000
53.	Strategy and Policy Memoranda	Overview of the GOE's JV Companies, Banks and Insurance Sector Portfolio	January 23, 2001
54.		Outreach Strategy for Financial Intermediaries	January 22, 2001
55.		Privatization Strategies and Recommendations for Container Handling Companies in Egypt	January 15, 2001
56.		Follow-Up to PIP Team "New Year" Kick-Off Meeting	January 11, 2001
57.		Serious Investors Identified for Public Enterprises and JVs Assigned to PIP	January 5, 2001
58.		Macroeconomic Overview of Egypt	January 5, 2001
59.		Legal Issues Analysis of the Proposal to Establish Investment Funds for the Management of JV Company Shares	December 30, 2000
60.		Proposed Strategic Action Plan from December 6 USAID/PIP/MPE/MOEFT Privatization Coordination Meeting	December 24, 2000
61.		Pipeline Management Team Workplan	December 19, 2000
62.		Workplan for Marketing, Promotion and Investor Outreach	December 11, 2000
63.		Restructuring Workplan and Concept Paper	December 7, 2000
64.		Draft USAID PIP Strategy Statement	December 5, 2000
65.		Egypt's Privatization Program: At A Turning Point	November 22, 2000
66.		Privatization in Egypt: Beyond 2000. A forum for Egypt's leading investment bankers and participants in the privatization program	November 22, 2000
67.		Potential New Privatization Method: Privatization via Investment Funds	November 11, 2000
68.		Meeting of PIP Partners to Discuss Project Strategy	November 7, 2000
69.	Sector Studies	Tourism Sector Study	October 23, 2000

## VI. PROGRESS VERSUS BENCHMARKS

<b>Benchmark 1:</b> Successful sales of GOE interest in Law 203 companies.
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<b>Measure:</b> The PwC consortium to offer for sale at least 90 firms in 2000, 62 firms in 2001, and 44 firms in 2002.
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***Note:** It was agreed with USAID during the first Quarter of project implementation that these targets are too ambitious. The new benchmark is to offer a total of 40 Law 203 enterprises by the end of 2001, including 100% of the 35 Tier I Law 203 companies and assets assigned to PIP by the MPE/PEO.*

**Progress:** PIP has been assigned 52 Law 203 companies by the MPE. We have focused our resources on companies in sectors where there is expressed investor interest and clear Government commitment. These are the so-called Tier I "fast track" enterprises from the tourism, fertilizers, maritime transport, and retail trade sectors. As noted above, PIP has completed information memoranda for several of these attractive companies and we are advising the relevant Holding Companies on transaction structure, marketing strategy and sales closure. We are optimistic that at least 7 transactions will be concluded during the First Quarter of 2001: Misr Hotels, Abu Zabaal Fertilizers, Delta Fertilizers, Red Sea Contracting, NEEASA (light-bulb manufacturers), Al Nasr Glass & Crystal, and Omar Effendi.

<b>Benchmark 2:</b> Successful development and utilization of methods for cost-effective sales of less attractive companies.
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<b>Measure:</b> Screening guidelines established for all Tiers by the first Quarterly Report. Screening report listing each company to be provided at least once each quarter.
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**Progress:** PIP has screened and categorized all of the 193 Law 203 companies and assets remaining to be privatized and has completed more detailed reviews of the 52 companies and assets assigned to PIP by the MPE/PEO. PIP is currently gathering market information and financial data on the 32 JV companies assigned to the project by the MOEFT in December. We have already completed diagnostics for eight JV companies and expect to have diagnostics for all 32 companies by the end of February 2001.

In addition, PIP has developed and presented to the MPE a series of standard, step-by-step procedures to conclude transactions for less attractive companies in the Law 203 portfolio. Specifically, PIP drafted and submitted procedures for liquidations, employee buyouts, and interim management/turnaround contracts. These transaction methods are more appropriate for less attractive companies than are the negotiated sales (anchor investor) and IPO procedures. The procedures would also be relevant for any distressed or "stumbling" companies in the MOEFT JV portfolio.

During the First Quarter of 2001, PIP plans to invite project partners from the Foundation for Enterprise Development to revise and refine the procedures for employee buyouts. The goal is to develop, promote and implement a new employee shareholder association (ESA) model for selected Tier II, Tier III and JV companies that will provide for a market-based employee/management buyout scheme that allows employees to remove shares from the ESA and sell them on the open market.

Furthermore, PIP continues to explore the feasibility of establishing a closed-end investment fund model for the JV companies. GOE stakes would be managed on a fee basis, with profit sharing of capital gains between the public sector shareholders (who would give the fund managers Power of Attorney to manage and sell the JV shares) and the fund managers. These managers would be selected via competitive tender for participation by both domestic and international asset management firms and investment banks.

<b>Benchmark 3:</b> Brokering of turnaround service contracts for Tier III companies.
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<b>Measure:</b> "Quick Response Diagnostic" completed in 100% of Tier III companies. Turnaround services to be provided to at least 5 Tier III companies in 2000 and 10 Tier III companies in 2001.
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**Note:** Because the MPE/PEO assigned PIP a more limited number of companies than originally anticipated -- and assigned companies from the Textile, Metallurgy and Engineering Holding Companies to European Union contractors -- we believe that a more realistic target for this benchmark would be to provide turnaround services to 10 Tier III companies total through the life of the project (2003).

**Progress:** PIP has completed quick diagnostics for 100% of Law 203 Tier III companies (61 of 193 companies/assets). While some of these distressed companies would benefit from financial and/or operational restructuring, the majority are candidates for liquidation. Of the 52 companies and assets assigned to the PIP by the MPE/PEO, 10 are Tier III companies. PIP has completed detailed diagnostics for three of these companies -- Alexandria Shipyards, Al Nasr Forging, and Naroubin -- has drafted a restructuring/turnaround plan for each of them, and has begun marketing them to turnaround management firms. There is particular interest in one or more of the four core businesses of Alexandria Shipyards. PIP has drafted a concept paper on interim/turnaround management that describes our methodology for identifying, analyzing, and promoting distressed "Tier III" companies. The detailed workplans for each of the turnaround candidates show how PIP will assist each company to find turnaround/interim management firms and conclude a transaction.

<b>Benchmark 4:</b> Institutional capability among the GOE, HCs, and the Investment Promoters to support continued privatization transactions, turnarounds and liquidations should be developed.
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<b>Measure:</b> The PwC consortium will conduct an annual survey to gauge basic knowledge of key privatization program issues by GOE and HC staff at various levels. More specific surveys should also be conducted at workshops and seminars. The survey results should indicate improved knowledge and competency to support privatization.
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**Note:** Senior USAID management has made it clear that this is a transactions project. Overall, the success of the project will be measured by the number of deals PIP helps to conclude and the degree to which PIP has accelerated, clarified and streamlined the privatization program in Egypt. Our focus, accordingly, will be on promoting and selling Law 203 and JV companies and on developing and implementing clear, step-by-step sales procedures. We therefore request that the requirement for "annual surveys" of GOE and HC staff be lifted. Privatization is in its ninth year in Egypt and we believe that the relevant GOE officials already have sufficient knowledge of the key issues affecting the pace and volume of privatization. We will, however, conduct surveys of participants in formal, classroom seminars delivered by PIP.

**Progress:** PIP has done the following to develop institutional capacity with the HCs, investment promoters, and relevant GOE Ministries and Agencies to support continued privatization transactions:

- Developed standard "outline" templates for company profiles and information memoranda that will serve as the basis for HC workshops planned during the 1<sup>st</sup> Quarter 2001.
- Conducted a two-week workshop for representatives of the Housing, Tourism and Cinema Holding Company on drafting information memoranda for hotels and hotel assets.
- Developed a summary table and analysis showing the major differences between the Unified Egyptian Accounting System and International Accounting Standards. PIP subsequently delivered an IAS conversion workshop at the Central Accounting Agency (CAA) in November 2000.
- Drafted standard terms of reference for the selection of an investment promoter. We delivered this tool to the Trade Holding Company in connection with the Omar Effendi transaction and plan to conduct a workshop for all HCs on selecting an investment bank / investment promoter during the 1<sup>st</sup> Quarter 2001.
- Together with Carana, PIP drafted the scopes of work for two training seminars scheduled for the 1<sup>st</sup> Quarter 2001, each of which will be offered to the MPE and the MOEFT. The first will help MPE and MOEFT officials to identify and unlock the "hidden" value of the public enterprises in their respective portfolios. Strategies will include cosmetic restructuring, investor outreach, and asset packaging. The second seminar will assist GOE officials with the marketing of public enterprises. Participants will learn how to design promotional materials, conduct roadshows, and leverage regional investor networks.



<b>Benchmark 5:</b> Successful sale of residual shares and non-corporatized assets.
<b>Measure:</b> The PwC consortium will assess the status of residual shares and non-corporatized assets and the prospects for their sale. Based on that assessment, the contractor will identify by the first Quarterly Report the companies in which residual shares will be offered. The residual shares in these companies will be offered for sale in the first 24 months of the project.

**Progress:**

<b>Benchmark 6:</b> Conversion rate targets met.
<b>Measure:</b> The PwC consortium will provide continuous and active participation as needed to complete privatization transactions. The PwC consortium will assist the GOE to sell 100% of Tier I firms and at least 50% of Tier II firms over the life of the project, and identify in their annual workplans more specific targets which promote this benchmark.

**Progress:** Please see comment under Benchmark No. 1 above.

<b>Benchmark 7:</b> Increased investor interest in privatization offers.
<b>Measure:</b> The PwC consortium will assist the GOE to attract greater interest from buyers each year as measured by requests for bid documents (or their equivalents). Specifically, a) the number of overall requests each year should increase; b) the number of requests per equivalent transaction should increase; c) the number of requests from foreign investors should increase. Greater interest evidenced by inquiries, company visits, and event attendance should also be documented. Increased investor interest will also be measured by the number of bidders in each privatization event and the number of bids placed for each transaction.

**Progress:** Although no anchor investment tenders were announced or conducted during this Quarter for the companies/assets assigned to PIP, there has been a marked increase in investor interest in select GOE public enterprises. For example,

- Following several detailed discussions, international anchor investors from the Netherlands, France and Denmark have requested copies of the company profiles for the Port Said and Damietta container handling companies.
- After the international investor conference on Egypt held in Barcelona in September 2000, PIP received several emails from Spanish investors interested in the hotel assets for sale.
- The publication of the Red Sea Contracting company profile helped the Construction HC enter into serious discussions with four interested domestic investors.
- The Metallurgy Holding Company received an unsolicited expression of interest from a local investor for Al Nasr Glass & Crystal and worked with PIP to streamline valuation procedures in order to get the company out to market faster than originally planned.
- The Chemicals Holding Company distributed the PIP fertilizers company profiles to potential investors and, based on that feedback, requested PIP to accelerate completion of an information memorandum for Delta Fertilizers.

<b>Benchmark 8:</b> Successful divestiture of public shares in Joint Venture and Investment companies.
<b>Measure:</b> The PwC consortium will assist the GOE to divest its shares in at least 50 JV companies in 2000; at least 75 companies in 2001; and at least 75 companies in 2002. The PwC consortium will assist the GOE to divest its shares in at least one insurance company.

**Note:** As indicated in PIP's Inception Report/Workplan -- and agreed upon with USAID -- we believe that this target is too ambitious. We proposed a "very preliminary" target of 100 offerings by the end of 2001, but that was before the MOEFT had officially assigned PIP any companies. In mid-December, PIP was assigned only 32 JV companies and future mandates are conditional upon the sale of these companies. We therefore propose that the target for this benchmark be changed to 32 companies offered by the end of 2001, subject to increase should PIP receive additional mandates from the MOEFT.

**Progress:** Although PIP was assigned the 32 JV companies only one month ago (December 17, 2000) and we still do not have access to the entire JV database, we have already met with 10 of the designated GOE representatives -- including Banque du Caire several times -- and have completed diagnostics for eight JV companies and a valuation analysis of one high-profile joint venture bank, the Misr America International Bank. In addition, PIP has completed an overview and analysis of the entire JV portfolio, ranking the various sectors according to total sales, profitability, debt, and percentage of public ownership.

**Benchmark 9:** Value of privatization transactions.

**Measure:** The PwC consortium will assist the GOE to receive privatization sales prices (equivalent to cash, present value of investment commitments, and assumed debt) close to the official GOE floor valuation (where it exists). Specifically, the price received should be:

- At least equivalent to the floor valuation for Tier I companies;
- At least equivalent to 50% of the floor valuation for Tier II companies;
- At least equivalent to 33% of the floor valuation for Tier III companies.

**Progress:** PIP is in constant dialogue with officials at the MPE, MOEFT and CAA to streamline the valuation process and ensure that the offering price represents fair value for the Government's assets and is close to the market price. No PIP enterprises were sold during the 4<sup>th</sup> Quarter 2000, so it is not possible to measure the value of transactions.

## IX. SALES PIPELINE REPORT

*Note: Company Profiles have been completed for many of these enterprises. With the completion of Profiles – used for marketing purposes - transaction strategies are generally in place and initial contact with interested investors has been made.*

### Law 203 Public Enterprises

No.	Affiliate Company	Transaction	Investor Interest?	Info Mem approved by HC	Bids eval, HC approval	MPC Approval	Transaction Date (expected)
1	Abu Zabaal Fertilizers	Anchor investor	local, regional, European	02/28/2001			01-Apr-01
2	Delta Fertilizers	Anchor investor	local, regional, European	02/28/2001	31-Mar-01	15-Apr-01	15-May-01
3	Kima	Restruct / Mgmt Contract					
4	Nasr Fertilizers	Anchor investor	local, regional, European	02/28/2001			01-Apr-01
5	El Abd Construction		local				
6	El Nasr Contracting		local				
7	Elygect						
8	Hassan Allam Construction	Restruct / Mgmt Contract					
9	Misr El Gedida Housing						

No.	Affiliate Company	Transaction	Investor Interest?	Info Mem approved by HC	Bids eval, HC approval	MPC Approval	Transaction Date (expected)
10	Mokhtar Ibrahim		local				01-Jun-01
11	Red Sea Contracting	Anchor investor		01/15/2001	28-Feb-01	15-Mar-01	31-Mar-01
12	Vibro						
13	Al Nasr Forging	Restruct / Mgmt Contract					01-Jun-01
14	Naroubin	Restruct / Mgmt Contract					01-Jun-01
15	NIASA	Anchor investor	local				01-Apr-01
16	EDFINA						
17	Gharbeya Mills						
18	Rice Marketing						
19	Starch, Yeast, & Detergents						
20	Amoun Aswan			03/15/2001			01-Jun-01
21	Amoun Luxor	Anchor investor	regional, Europe	03/15/2001			01-Jun-01
22	Anni - floating hotel	Anchor investor		not req'd			03-Jun-01
23	Aswan Oberoi	Anchor investor		03/15/2001			01-Jun-01
24	Atoun - floating hotel	Anchor investor		not req'd			01-Jun-01
25	Cleopatra	Anchor investor		03/15/2001			12-Jun-01
26	El Alfanteen - Land	Anchor investor		not req'd			09-Jun-01
27	Hotob - floating hotel	Anchor investor		not req'd			04-Jun-01
28	Isis - floating hotel	Anchor investor		not req'd			05-Jun-01
29	Kalabsha	Anchor investor		03/15/2001			11-Jun-01
30	Mena House - Land	Anchor investor		not req'd			10-Jun-01
31	Mercure Etah	Anchor investor		03/15/2001			01-Jun-01
32	Mercure Inn Coralina	Anchor investor		03/15/2001			01-Jun-01
33	Misir Hotels	Anchor investor	regional, European	01/11/2001	28-Feb-01	31-Mar-01	30-Apr-01
34	Oberoi Arish	Anchor investor		03/15/2001			13-Jun-01
35	Osiris - floating hotel	Anchor investor		not req'd			06-Jun-01
36	Shepherd Hotel	Anchor investor	regional	02/28/2001	31-Mar-01	30-Apr-01	01-Jun-01
37	Soultana Malak - Land	Anchor investor		not req'd			08-Jun-01
38	Thomas Cook - Land	Anchor investor	local	not req'd			07-Jun-01
39	Tut - floating hotel	Anchor investor		not req'd			02-Jun-01
40	Al Nasr Glass & Crystal	Restruct / asset sale	local, regional	01/31/2001	28-Feb-01	31-Mar-01	30-Apr-01
41	Alex Cooling						

No.	Affiliate Company	Transaction	Investor Interest?	Info Mem approved by HC	Bids eval, HC approval	MPC Approval	Transaction Date (expected)
42	Hannaux	Anchor investor	local, regional	02/28/2001			01-Jun-01
43	Misr Car Trade						
44	Misr Import Export						
45	Omar Effendi	Anchor investor	local, regional	01/31/2001	15-Mar-01	30-Apr-01	31-May-01
46	Sednawi		local, regional				01-Aug-01
47	Alexandria Container Co.	30-year concession					01-Jun-01
48	Alexandria Shipyards	Restruct / Mgmt Contract	Europe, international				01-Jun-01
49	Damietta Container Co.	30-year concession	Europe, international				01-Jun-01
50	Egyptian Navigation						
51	Egyptian Shipbuilding						
52	Egyptian Warehouses						
53	Port Said Container Co.	Concession or jv		02/15/2001	31-Mar-01	31-May-01	01-Jun-01

### PIP Joint Venture Pipeline Report

No.	GOE Representative	Affiliate Company	Transaction Type	Company Profile	Info Memo/ Advertised	Evaluating Bids	Bid Approved by MPC	Transaction Expected
1	<b>Banque Misr</b>	El Togarioun Bank	Restructuring					
2		Ismailia Misr Cooling Company						
3		National Housing for Professional Syndicates (Meridian Heliopolis)						
4		National Company for Corn Production						
5		Misr Amerya Spinning & Weaving						
6		Misr Cooling & Storage Company						
7	<b>Banque du Caire</b>	Misr America International Bank	Sale to private bank					
8		Islamic Bank for Invest. & Dev	Sale to private bank					
9		Cairo Far East Bank						
10		Cairo Aswan Poultry and Egg						
11		Port Said National Company for Food Security						
12	<b>National Bank of Egypt</b>	Egyptian Salt and Minerals Company						
13		Fontana Tourist Development Company						
14	<b>Bank of Alexandria</b>	Misr Aswan Company for Fishing and Fish Production						
15	<b>National Investment Bank</b>	Saudi Egyptian Company for Industrial Investments						
16		Egyptian Company for Sheet Glass						
17		Misr Iran Spinning & Weaving						
18	<b>Misr Insurance</b>	Egyptian International Company for Gas						

No.	GOE Representative	Affiliate Company	Transaction Type	Company Profile	Info Memo/ Advertised	Evaluating Bids	Bid Approved by MPC	Transaction Expected
		Technology						
19		Misr Sinai Travel						
20		Misr Real Estate Investment and Tourism						
21	<b>El Shark Insurance</b>	Rowad Travel - Al Rowad						
22	<b>National Insurance Company</b>	October Development and Real Estate Investment Company						
23	<b>EGPC</b>	Sidi Krir Petrochemicals Company						
24	<b>Egypt Air</b>	Misr Aswan Travel						
25	<b>Al Sharkeya Governate</b>	Sharkeya National Company for Ready-made Garments						
26	<b>Ministry of Housing</b>	Misr Clay Brick Production Company						
27	<b>Temporary Committee for ACP</b>	Arab Company for Pharmaceuticals and Medical Herbs						
28	<b>Construction HC (PEO)</b>	Al Shams Housing & Development						
29	<b>Al Nasr Car Production Company (PEO)</b>	Egyptian Services & Maintenance Company						
30	<b>EGOTH (PEO)</b>	Arab Company for Tourism and Hotel Investment						
31	<b>Egyptian National Railway Authority</b>	Egyptian French Company for Renewal and Maintenance of Railroads						
32		Egyptian German Company for Renewal and Maintenance of Railroads						